

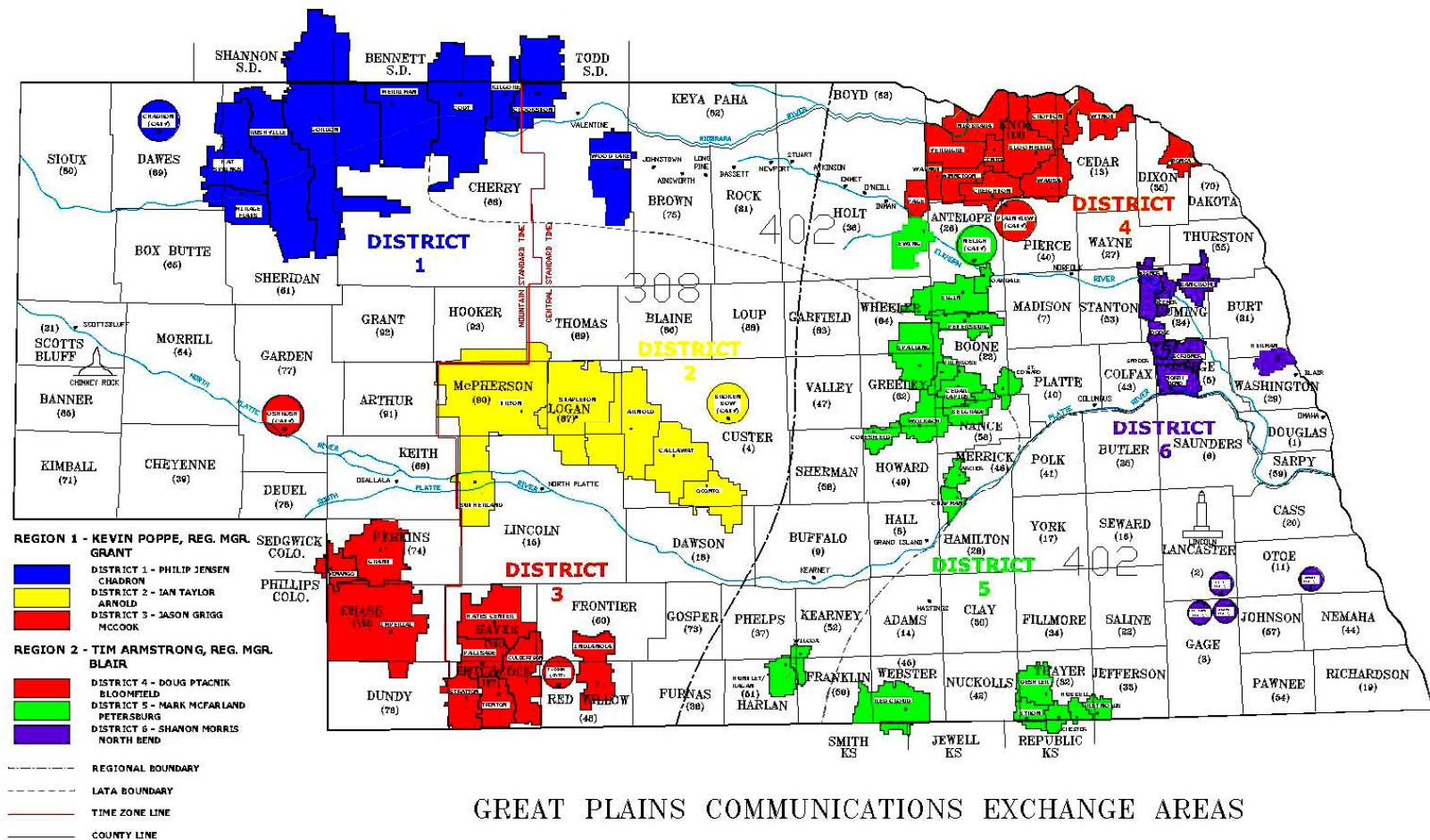


USF in a Broadband World Issues for Rural Carriers

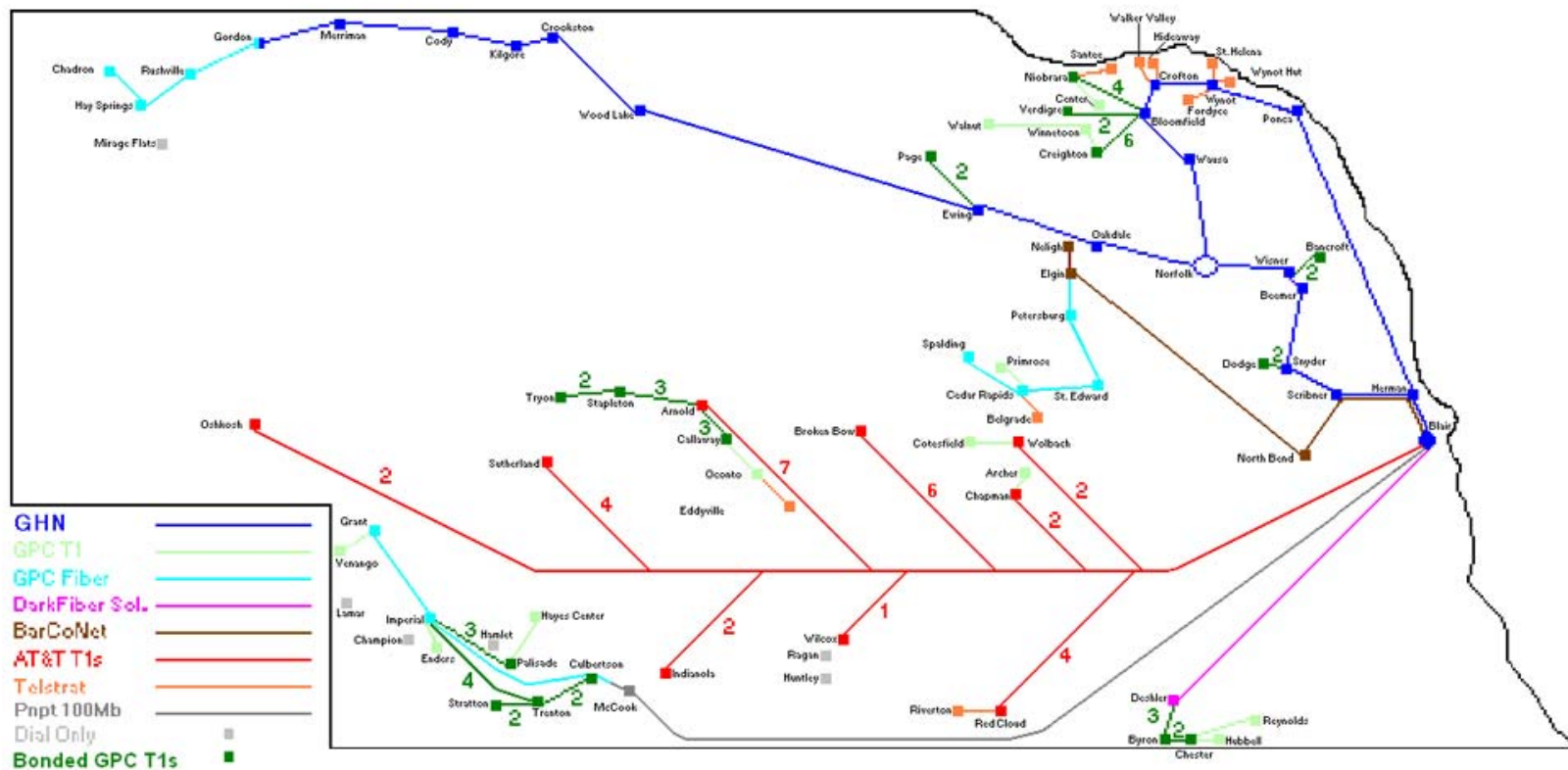
Discussion on behalf of
Great Plains Communications, Inc.
Blair, Nebraska

Ken Pfister, Great Plains
Cheryl Parrino, Parrino Strategic
Consulting Group
Harold Furchtgott-Roth, Furchtgott-Roth
Economic Enterprises

Great Plains serves 14,000 square miles, an area larger than Connecticut, New Jersey and Rhode Island combined, with about 2 customers per square mile



Great Plains Self-Provisions and Leases Thousands of Circuit Miles to Service Our Internet Customers



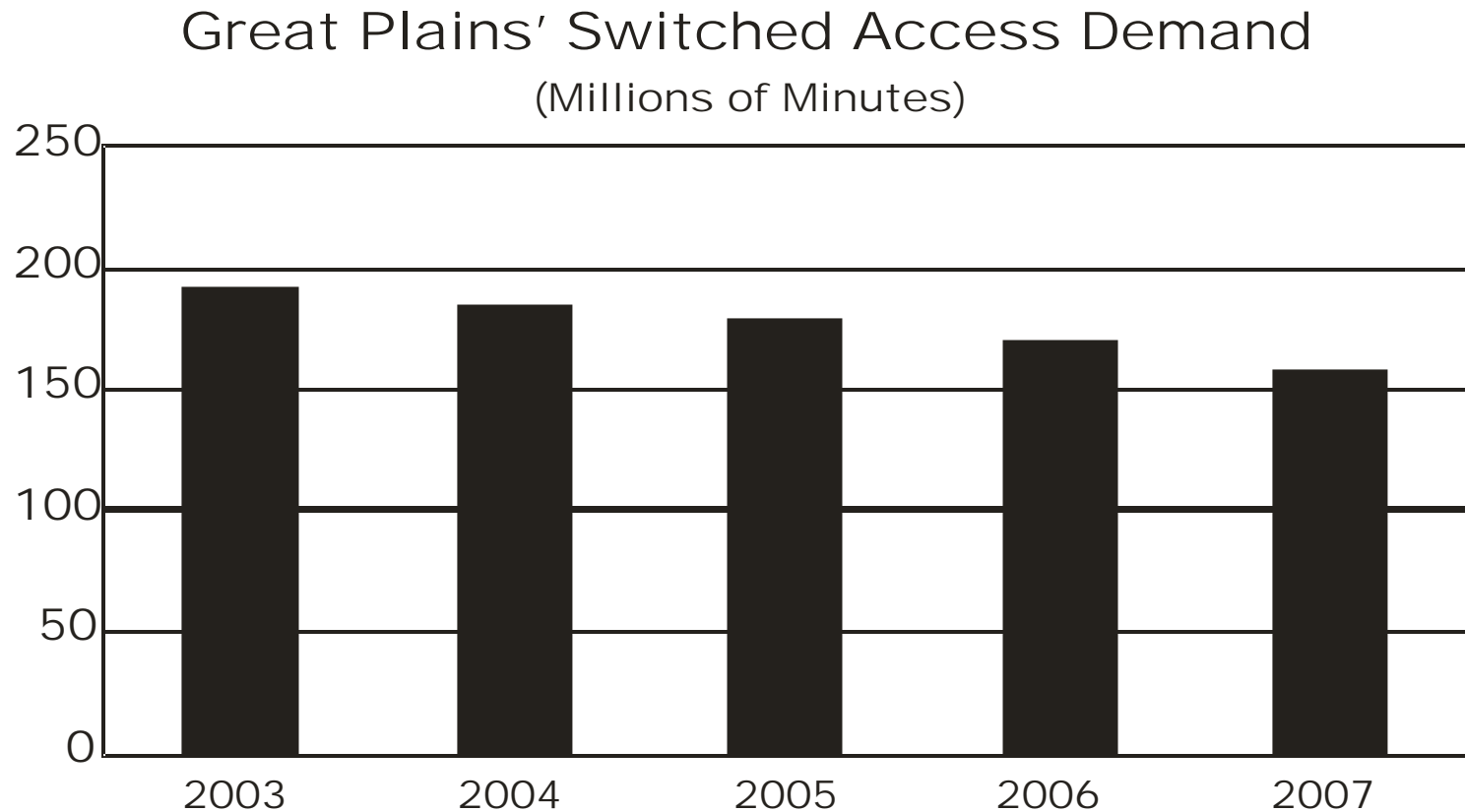


Why Do Our Company Statistics Matter?

- Our service area is remote:
 - Sparsely populated
 - Long transport routes
 - Few, if any, competitive alternatives
- Market-driven business plans that work for more populated areas are irrelevant in ours.
 - Without outside support, we cannot afford to install and maintain our plant.
 - Great Plains has invested \$25 million in outside plant alone over the last 5 years, all necessary for advancing our broadband footprint.



Great Plains' Access Minutes are in Steady Decline





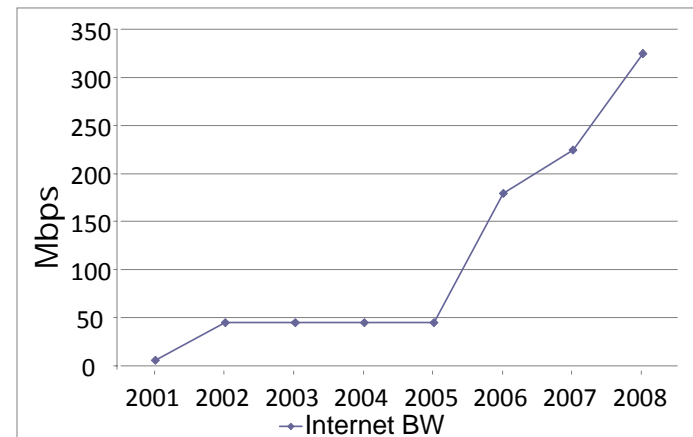
Policy Makers Want Broadband Deployed In Rural America, But Is It An Un-funded Mandate?

- Policy Makers say they support rural broadband.
 - “RLECs have done a commendable job of providing voice and broadband services to their subscribers.”
Joint Board on Universal Service
 - “Our universal service program must continue to promote investment in rural America’s infrastructure and ensure access to communications services that are comparable to those available in urban areas, as well as provide a platform for delivery of advanced services.” - *Chairman Martin*
 - If intercarrier compensation revenues are decreased for rural carriers, “demand on the fund increases as offsetting support payments go up.” – *FCC May 2, 2008, News Release*

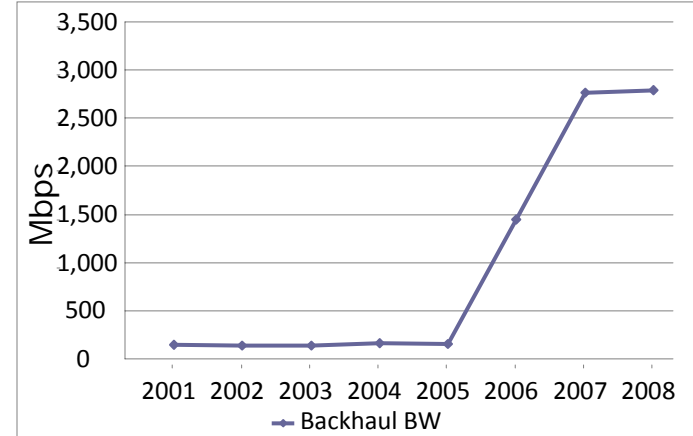
Our Costs Are Driven by Bandwidth Demand, Which Are Rising Fast

- Customers are demanding more bandwidth, but we have limited ability to raise rates because of affordability constraints.
- Thus, we are caught in a price squeeze.

INTERNET ACCESS - GROSS
BANDWIDTH CAPACITY



BACKHAUL NETWORKS - GROSS
BANDWIDTH CAPACITY





USF for Broadband Deployment

What Are the Realities?

- In order for rural companies to continue to “do a commendable job”:
 - Switched access revenue declines must be addressed – now
- Growing off-network broadband Internet access costs should be supported. We have:
 - Little ownership of these facilities so we are not able to make revenue from this source
 - Unregulated middle mile and backbone expenses rising with bandwidth demand
 - No peering arrangements and negotiating power
 - Long distances to Internet backbone



Without Action, the Result is Less Broadband Investment

- Switched access decline +
 - Exploding off-network expenses +
 - Rising bandwidth demand +
 - Retail rates limitations in market =
 - Inability to meet customer broadband demands
- AND
- Reduced investment in broadband infrastructure